

All the UK's major parties agree on ring-fencing foreign aid spending at current levels, even while the country's dire financial situation requires sharp cuts to other budgets. **Peter Boone** draws on the evidence on aid effectiveness to argue that our focus should not be on the amount we spend but rather on making aid work better.

Making the UK's aid budget work better

The 2010/11 UK foreign aid budget is £7.8 billion, having risen from £5.5 billion in 2008/09. Every major political party rhetorically backs higher aid levels or, at the very least, maintaining current levels.

Yet opinion polls have registered some concern as to whether aid brings value for taxpayers' money. There are fears that it wastes money, buoys corrupt governments without affecting the poor for whom it was intended or even, in the current economic climate, that it would be far better spent at home. Since this comes from a public that is unimpeachably generous in the aftermath of natural disasters, the scepticism seems reserved for government-administered aid.

Even recipients of aid have expressed a desire for assistance that has been better thought through. Paul Kagame, the president of Rwanda, has argued that donors need not 'just the heart for aid, but the head'.

In this regard, it is refreshing to hear the new international development secretary, Andrew Mitchell, calling for major change in how taxpayers' money

Reforms to make aid work better probably require radical change

will be spent on aid. His plan for a new independent aid watchdog, which will help ensure value for money, could be a major step forward in the fight to end extreme poverty.

But there is a litany of failed hope and promises from our aid industry's past. If the new government is to succeed, they will need to take resolute and sometimes painful measures now, which change the goals and, more importantly, the process of providing aid.

Where UK aid is spent

Today the UK bilateral aid budget is disbursed to a wide range of sectors and projects in over 100 nations. Only a fraction of this money goes to extremely poor regions, and a fraction of that to areas where we have clear scientific evidence that it could help to reduce poverty.

There are numerous studies showing that improved literacy and numeracy give children better opportunities in adulthood. We have also learned that it is possible dramatically to reduce child deaths in extremely poor regions through provision of very basic and inexpensive health services (Bryce et al, 2005). During the last parliament, £4.2 billion, 35% of total bilateral aid, went on health and education.

According to the *Bellagio Child Survival Study Group*, a collection of international experts on public health and the causes of child deaths, the annual UK aid budget would be more than sufficient to prevent six million child deaths each year – thus ending most child mortality. At current costs, the same money could be used to provide annual primary school education to 78 million children in extremely poor regions, who would otherwise grow up illiterate and missing basic maths skills.

But aid is spent on many more dubious, and successful, claimants. During the last parliament, the UK spent £2.6 billion helping build 'government and civil society' and £1.9 billion on 'economic aid', which refers to items such as budget

assistance and infrastructure aimed at supporting the overall economy.

These projects have laudable goals, but there is little evidence to prove how, and whether, they matter to long-term development or poverty eradication. When considered as rivals to projects saving lives or educating children, where we do have strong evidence of need and benefit, they are hard to justify.

When deciding how to invest aid funds, portfolio theories of asset management tell us that when comparing two alternative investments, if one has greater certainty of a similar return to another, we should allocate most or even all funds to the investments where we have greater understanding of returns. If we applied these theories to our aid budget, we would need to reduce radically many categories of programmes today.

The need for rigorous assessment

In fact, however we define our objectives with aid, we quickly face the significant obstacle that current assessment practices leave us with little idea of which projects have worked and which have not.

A typical Department for International Development (DFID) aid project provides funds to a government, or through an NGO, which then administers the project, spends the funds and reports back on outcomes. DFID does operate an internal evaluation group that audits some projects and concludes whether they were successful or not. Results are summarised in DFID reports, for example:

'The successes of aid are visible. Thanks to UK aid from DFID, in recent years three million people have been vaccinated against measles, over 100,000 teachers have been trained, clean water has been provided to almost one million

Maintaining the status quo misses an opportunity – both for taxpayers, who remain sceptical about foreign aid, and for intended recipients

people and 12 million people have been assisted through food security programmes.'

Note the exclusive focus on an accounting of inputs, rather than on impact measured in terms of improvements in health or education or other key outcomes. Input claims can sound impressive, but experience shows that, by themselves, they are not. Teachers participating in training sessions might – but do not necessarily – lead to better-educated children.

Even the poorest regions in Africa typically have some kind of school, and they probably have a teacher assigned to them. But the schools often do not function. The reasons are numerous: teacher salaries are too small or in arrears; there are no books, desks, written materials or classroom visual aids; parents remove their children from school to work and look after siblings; or the teacher simply absconds because there is no effective supervisory system in place.

Meaningful assessment must rest on outcomes not inputs, and for large aid donors, such outcomes should be the

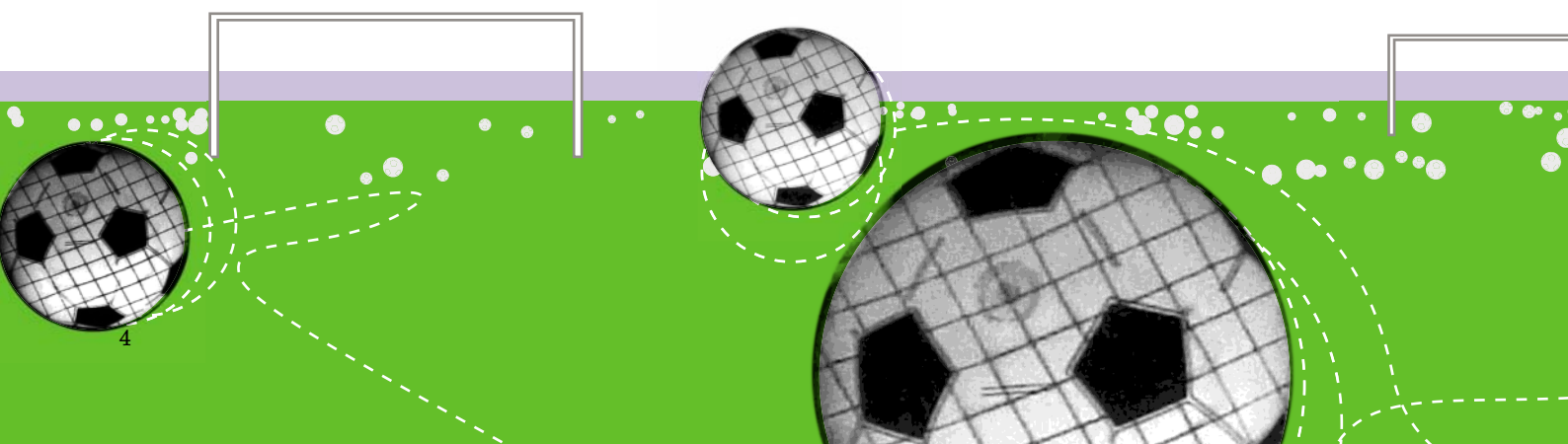
desired goals, not an intermediate step along the way. For example, a reasonable measurement of the value of teacher training should be pupils' subsequent performance in school, rather than a head count of training session participants.

Similarly, the round number of people to whom 'clean water has been provided' or who 'have been assisted through food security' is less interesting and valuable than, for example, any resultant changes in health, measured in disease prevalence, morbidity or mortality. Are the 'one million' and '12 million' lives measurably better or not? We should be asking and answering this question with rigour and specificity.

The DFID assessment points to something else. Specifically, vaccinations are inexpensive, as are rudimentary schools, so the lack of these generally reflects deeper problems. Poor provision of public services invariably indicates that extremely poor people, almost by definition, are politically weak. The best services go to wealthier urban areas: children in these areas grow up wealthier, and they tend to benefit first and foremost from economic growth.

So if we simply provide more funds to government budgets, and provide specific inputs such as the items listed above, what makes us think that these have led to better conditions for the extremely poor?

In short, to make aid more effective, we need better evidence on what works and what doesn't, and a focus on end goals instead of inputs. We should ask DFID to set precise goals for outcomes, such as improving the school performance of children in specific rural villages or reducing mortality rates in specified regions or raising income opportunities. They can decide how that is best done,



but we should never lose sight of the end goal and always make sure we can measure it.

Only when goals are set clearly and outcomes of projects are measured rigorously against these goals will we have meaningful data to begin to understand the impact of what we are doing. It is encouraging that DFID is increasingly focusing on measuring effectiveness, as are other agencies. But there is clearly far to go in making an evidence-based approach the exclusive or default one.

Evidence on aid effectiveness

These problems of aid allocation are not unique to the UK. In fact, despite over five decades of large international aid programmes, it is very difficult to find evidence that foreign aid has achieved much in terms of reducing global poverty.

The nations that have achieved the most poverty reduction over the last two or three decades – India and China – received very little aid relative to their size. Cross-country studies have repeatedly shown that nations that received substantial aid fared no better at growing or reducing indicators of extreme poverty than nations that received little aid (Boone, 1996; Easterly et al, 2004).

We can point to specific successes: the global coverage of vaccines and the eradication of smallpox are great achievements. But these require little money, and they hardly justify the \$100 billion plus global aid budgets, let alone the UK's £7.8 billion annual aid budgets. As DFID itself reports, despite five decades of spending and efforts: 'over one billion people, most of them in sub-Saharan Africa and South Asia, still live and die in appalling conditions.'

One study concludes that aid

A major expenditure review is needed: new non-emergency aid projects should be halted until it is completed

ineffectiveness might be due to the deleterious impact of aid on exchange rates (Rajan and Subramanian, 2005). As with Dutch disease (where increased revenues from natural resources drive up a nation's exchange rate), large foreign inflows drive up domestic wages and prices, so pricing nations out of export markets. Others have argued that aid generates rent-seeking and corruption, which are harmful to growth.

These explanations need careful study, but they do not prevent well thought out aid from providing benefits. For example, aid that serves to improve the productivity of employees or increases the overall ability of a population and nation to compete might be channelled in ways that avoid or offset corruption and competitiveness issues.

Aid for extremely poor regions

During the next few decades, it is very likely that many poor nations will continue to grow more rapidly than rich nations. Resource-rich Africa will grow much wealthier as India

and China add what the International Monetary Fund describes as the equivalent of one new Europe to global GDP over the coming decade.

The growing wealth of many regions in Africa and Asia should lead to important changes in how aid is allocated. Throughout the world, there will be 'pockets of poverty', where extreme poverty persists even when economies are improving. These will be found in nations with civil war or regional instability, and in areas where ethnically distinct or politically weak populations can be ignored by national governments.

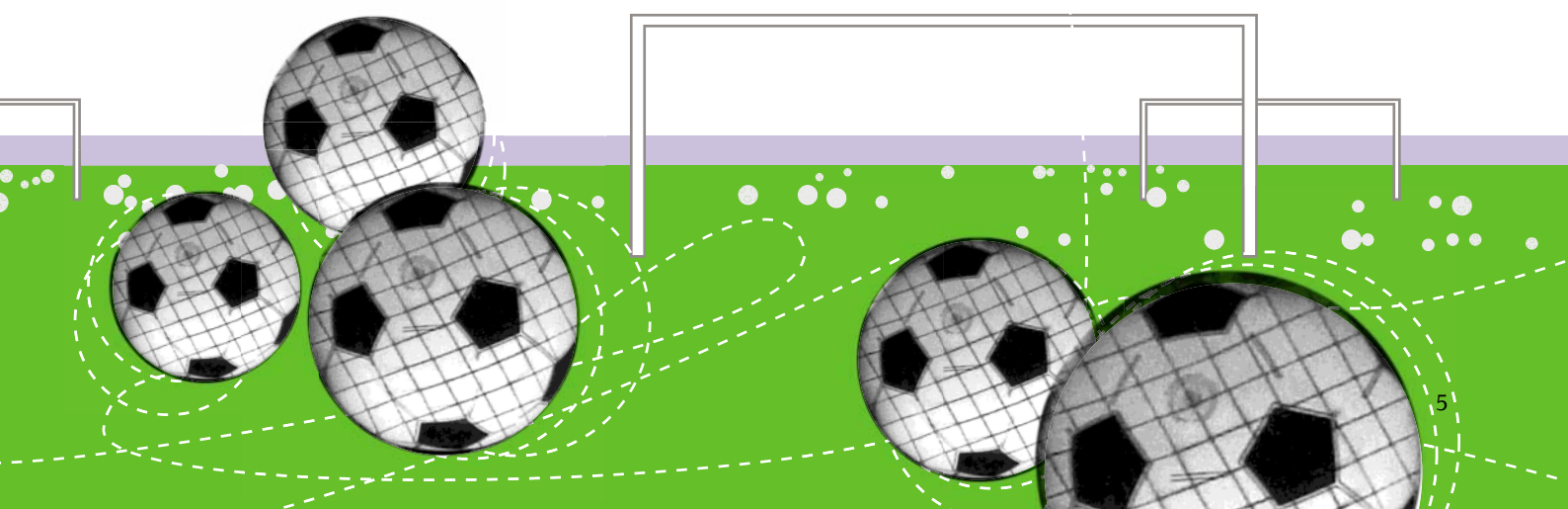
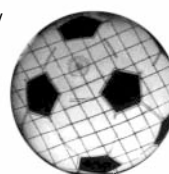
Residents of these enduring pockets of poverty will stand to gain the most from aid. Two reasonable goals, with existing good evidence backing their value, would aim to make sure that the next generation of children can grow up educated, and the communities live with decent, basic healthcare.

This would mean mapping out the regions where we think poverty will persist, and orienting aid, for example, towards 'permitting the 10 million people in these communities to access basic health and education.' Or we could work on income-generating programmes to help residents of these regions out of extreme poverty.

The approach could be a package of measures combining steps to achieve specific outcomes that can be quantified and hence measured, for example: income levels, numeracy/literacy test scores, disease incidence, mortality rates, etc. The key is to make clear goals and measurable outcomes our mantra.

Lessons from medical science

In the early days of modern medicine, practitioners used



traditional and experimental treatments without the benefit of testing and the data it generates, which could have determined which treatments actually worked, which had no effect and which were actually harmful. Similarly, today in our aid budgets, we have a plethora of 'treatments', most of which sound promising. But for most of them, there have been no serious evaluations and we thus have no idea what actually works.

Over the past century, techniques were honed to understand the real (as opposed to merely apparent) effects of medical treatments in both surrogate and human populations. There has been some attempt to apply these approaches by economists and others interested in the impact of specific 'treatments' used as aid. The Poverty Action Lab at MIT has led the implementation of such techniques in economics.

For an aid programme, it can be simple to introduce rigorous measurement similar to that used in the field of medicine. We first define our goals as specifically and clearly as possible. Then we design a programme that allows us to measure the effect of the activities we undertake to reach the goal.

The third essential element is an independent, objective monitoring team responsible for measuring outcomes. If the same rigour in measuring effectiveness of drugs and healthcare had been applied to the aid industry, we would surely know much more about what works and what doesn't today.

There is a case for these methods adopted from medical drug trials to be used not only for research, but also for measuring the impact of aid projects in progress when it is feasible. The logic of this is simple: while in the private sector we can measure outcome by profits, with

If aid were spent well, current funding levels would be more than adequate and lower levels not inconceivable

foreign aid we need to find alternative means of rigorously assessing outcomes.

Based on our own experimental work, we believe it is both feasible and highly valuable to introduce such techniques – or techniques developed by economists and epidemiologists which are nearly as rigorous – to understand better whether individual projects actually succeed.

Measuring outcomes, not counting inputs

Together with the London School of Hygiene and Tropical Medicine and the UK-based charity Effective Intervention, CEP has embarked on several aid projects in India and Africa that aim to improve children's education and health in extremely poor regions. In each case we pick major outcome goals – such as reducing child mortality rates or raising child literacy rates – and then work with local partners, clinicians, other relevant experts and medical statisticians to design projects that will achieve these goals at reasonable cost.

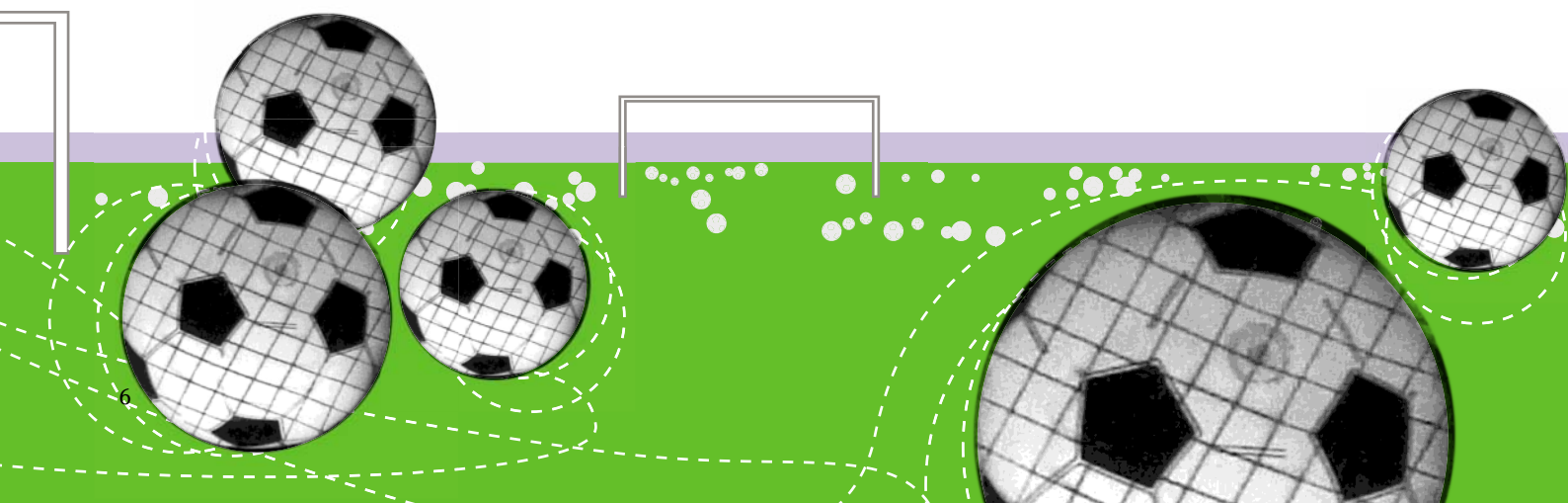
These projects are not research – our goal is to improve education and health in

a manner that can be expanded across much larger populations – but they have been designed like medical trials: we have randomised the initial allocation of services to villages so that we can compare outcomes across treatment and control villages during the initial stages of the project, before expanding if it is successful.

Randomisation across communities as we roll out programmes, so that some receive project assistance earlier than others, allows us to isolate the effect of our aid project so it is not confused with the effects of other changes that may be affecting the region. We have also created independent monitoring teams, which regularly visit households to collect information on child mortality and test children's outcomes for literacy and numeracy. This gives us a detailed understanding of what is working and what is not.

Today our projects employ 1,300 people in India and Africa, and we are providing services to approximately 500,000 people. On a monthly basis, we provide antenatal care to 8,000 women, and we provide drugs and basic services to 1,500 sick children. During this year, we will be testing 15,000 children in India and Africa for literacy and numeracy, as part of a programme to understand current levels and aim for improvements.

We could list many more figures, but they do not tell us anything about success. Our experience has made us fully aware of all the pitfalls of counting mere inputs. In our health projects in West Africa, we still find alarmingly high numbers of child deaths. This is despite intensive training both for parents on diseases that cause child deaths and for village health workers on how to treat simple diseases, plus free provision of medicines and twice monthly visits by trained nurses.



We cannot honestly claim to have achieved much at this stage. We are still waiting for our independent research team to assess results and comparisons with control villages. But it is already clear that the intensive nature of disease, and the isolation of these communities, means that more needs to be done, probably over many years, to reach our objective of lowering the level of child mortality.

Our education projects have also begun to yield critical information about how to design aid if the objective is to raise educational levels. We are completing a national survey of literacy and numeracy in remote regions of Guinea-Bissau ahead of a major project to improve these indicators.

The preliminary data are showing us that while schools exist on paper, they simply do not function. We find the same in tribal regions of India where we work: enrolment ratios are very high, but children do not attend and therefore do not learn. A whole generation of children is growing up illiterate and innumerate.

In Guinea-Bissau, the communities very much want functioning schools, frequently pooling resources to build a mud-brick schoolroom and pay a teacher's salary. Virtually nothing more is provided by a central government that prefers to devote over 30% of its budget to the military. Despite being one of the poorest regions of the world, very little aid money reaches Guinea-Bissau and when it does the impact is just too small to make any difference.

Making aid more effective

We've argued that there is good reason to think that aid can achieve a lot to reduce extreme poverty, and the amounts that we currently spend are more than enough to make major inroads.

Half of DFID's bilateral aid budget is spent in areas where there is little evidence that it will do much to reduce poverty

But today there is not enough evidence to convince sceptical observers that aid money achieves what it ought to, and evidence from the past generally suggests the bulk of our aid money has failed to do much to achieve poverty reduction. This is a failure that both taxpayers and the intended recipients need to see change.

The new government has an opportunity, as President Kagame suggests, to apply hard-headed thinking so as to make aid more effective. We believe the following policies would make sense with this goal in mind:

■ A multidisciplinary group should be formed to determine what our goals for aid should be for the next decade and what specific evidence we have on how we can achieve those goals. To demonstrate the renewed focus on making aid work and using taxpayers' money only when we can be confident it is spent well, all new non-emergency aid projects should be halted while this process is underway.

■ We must set clear goals and select and design aid projects around them. Such goals could be lofty – such as reducing

extreme poverty in a region of 10 million people – but they need to be specific enough to measure and monitor. During the design stages of all aid projects, we should plan how we will measure and monitor the effects of what we do in the most rigorous manner feasible from the start.

■ We need to generate an objective mentality among our project staff, especially the evaluation departments. These need to look forward to learning both the positive conclusions, and the negative conclusions, that rigorous measurement will teach us.

Peter Boone is a research associate in CEP's globalisation programme and chairman of Effective Intervention (<http://www.effint.org>), a charity based in the UK.

Further reading

Peter Boone (1996) 'Politics and the Effectiveness of Foreign Aid', *European Economic Review* 40(2): 289-329.

Jennifer Bryce, Robert Black and others (2005) 'Can the World Afford to Save the Lives of 6 Million Children Each Year?', *The Lancet* 365(9478): 2193-200.

William Easterly, Ross Levine and David Roodman (2004) 'New Data, New Doubts: A Comment on Burnside and Dollar's 'Aid, Policies, and Growth'', *American Economic Review* 94(3): 774-80.

Raghuram Rajan and Arvind Subramanian (2005) 'What Undermines Aid's Impact on Growth?', International Monetary Fund (<http://www.imf.org/external/pubs/ft/wp/2005/wp05126.pdf>).

